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January 11, 2002

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas, Secretary
Federal Communications Commission
455 12th Street, S.W.
Washington, DC 20554

Re: WT Dkt No. 01-184: Ex Parte Presentation of Leap Wireless International

Dear Ms. Salas:

This letter is to inform you that on January 10 and 11, 2002, Dan Pegg and Doug Byrnes of Leap Wireless International, Inc., and the undersigned on behalf of Leap, had meetings with Commissioner Abernathy and Bryan Tramont; Commissioner Martin, Monica Desai and Sam Feder; Peter Tenhula; David Furth, Jared Carlson, Jennifer Salhus and Patrick Forster of the Wireless Telecommunications Bureau; Diane Griffin Harmon, Pam Slipakoff and Cheryl Callahan of the Common Carrier Bureau; and Gene Fullano of the Consumer Information Bureau.

At each of those meetings the participants discussed the attached documents. Representatives of Leap emphasized that number portability is in the public interest, and that any delay in its implementation would be against the public interest. Leap representatives acknowledged that most engineers would prefer to separate the implementation dates for pooling and porting. But they stated that any such separation need not be more than a few weeks; no more than a month. Thus, any argument based on the proposed separation of pooling and porting simply could not justify more than a month-long delay in porting implementation. LNP has been delayed enough. Leap believes that the Commission should retain its current (November, 2002) implementation deadline for Local Number Portability, or at most should delay implementation for 30 days.

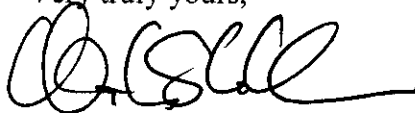
The original and one copy of this letter are enclosed.

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LATHAM & WATKINS

Magalie Roman Salas
January 11, 2002
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Very truly yours,

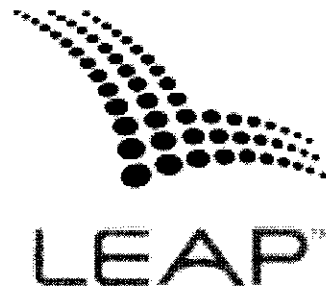
A handwritten signature in black ink, appearing to read 'W. S. Carnell', with a long horizontal flourish extending to the right.

William S. Carnell
of LATHAM & WATKINS

Enclosures

cc (w/o encl.): Commissioner Kathleen Abernathy
Commissioner Kevin Martin
Peter Tenhula
Bryan Tramont
Monica Desai
Sam Feder
David Furth
Jared Carlson
Jennifer Salhus
Patrick Forster
Diane Griffin Harmon
Pam Slipakoff
Cheryl Callahan
Gene Fullano

Wireless Number Portability



Leap Wireless International

Presentation to FCC

January, 2002

LNP Benefits Competition

- Number immobility is a classic “switching cost.”
 - Switching costs hinder competition:
 - Customers tend to tolerate higher prices or inferior service, rather than “pay” the “cost” of switching providers.
 - In a competitive market, “the profits that you earn from a customer – on a going-forward, present value basis – *exactly equal the total switching costs.*” *Information Rules* at 114 (emphasis added).
- LNP eliminates this switching cost.

Record Evidence That Number Immobility Imposes Switching Costs

- Classic Treatise: Carl Shapiro and Hal R. Varian, *Information Rules: A Strategic Guide to the Network Economy* (1999) at Chapter 5.
 - “Everyone recognizes that number portability is critical . . . [t]he cost per person of changing phone numbers may not be huge but when you add up these costs across millions of telephone subscribers, the stakes grow large.” *Information Rules* at 108-109.
- No evidence that wireless is unlike wireline in this regard.
- The Commission should not ignore the many consumer testimonials.

Market Demand for LNP

Can't Force Carriers to Provide It

- Problem: There's no incentive for carriers to export numbers.
- Verizon understands all too well that the market wants LNP:
 - “If the Commission orders one-way porting [*i.e.*, if it requires carriers to export numbers upon request], it will be forcing the hand of wireless carriers to offer two-way porting [*i.e.* customers will demand that they import numbers, too].” -- 12/20/01 *ex parte* at 6.

“Competition” Does Not Obviate the Need for LNP

- “Lock-in” effect is *more* important in mature markets.
 - In a “highly competitive” market, “the profits that you earn from a customer . . . exactly equal the total switching costs.” *Information Rules* at 114.
- The argument that “there’s plenty of churn” is fallacious.
 - Current churn levels are based on current price and service offerings – which are based on current switching costs.
 - Reduced switching costs would lead to lower prices, or increased churn, or both.

The Foreign Experience Supports LNP

- Australian experience supports LNP.
 - Immature market has less need for LNP.
 - It's too early to call a 3-month old policy a “fizzer.”
 - Recent data show that it's anything but a “fizzer”.
 - 90,000 ports in 2 months (despite cumbersome process).
 - Introduction of new plans and offers.
- Hong Kong, Singapore, Great Britain all saw major positive effects from LNP.
 - UK: almost half a million ports a year, though it charges a US\$80 porting fee.
 - HK: over a hundred thousand ports a month; Bear Stearns estimates that LNP contributes 3 percentage points to overall churn rate.

LNP is Not Prohibitively Expensive

- Example: Sprint PCS
 - Estimated LNP capital expense: \$26 million.
 - One-year overall capital expenses: \$3,337 million.
 - Fraction of one percent.
 - Estimated LNP recurring costs: \$50 million/year.
 - » (Includes two-way porting costs).
 - One-year revenues from service: \$7,000 million.
 - Fraction of one percent.

... A Tiny Fraction of Subscriber Acquisition Costs

- *Quarterly* Sales and Marketing costs (2Q '01):
 - Verizon \$1,015 million
 - Cingular \$944 million
 - AT&T \$686 million
 - Sprint \$528 million
- Subscriber acquisition costs (2Q '01 S&M per gross add):
 - Verizon \$375 /sub
 - Cingular \$416 /sub
 - AT&T \$332 /sub
 - Sprint \$340 /sub
- LNP Cost: less than \$0.24 per subscriber per month.
 - » Based on average of AT&T, Sprint, Cingular estimates.

“One-Way” Porting Will Reduce Costs

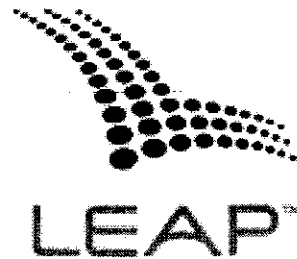
- Verizon’s One-Way Porting Costs are Illusory
 - Verizon’s 12/20 *ex parte* uses a lot of words to say the following: Export-only carriers will still need to have some personnel, and some technology, to validate porting requests and give away the exported numbers.
 - Of course that’s true. But Verizon does not attempt to quantify those costs, which are minimal.
- There is no evidence that one-way porting costs would even approach the two-way figures cited by the commenters.

LNP Will Not Harm Public Safety

- Most technical issues are related to the underlying LRN architecture (which is also necessary for pooling), not LNP itself.
- The “mixed service 911 call back” problem is a non-issue:
 - As Verizon says, the 4-day interval is “unacceptable to the wireless industry,” and will be remedied before 11/02.

Conclusion

- LNP is necessary to reduce the “switching cost” of number immobility.
 - Lower switching costs means better competition.
- LNP is technically feasible, and is not prohibitively expensive.
 - One-way (export only) porting will cost even less.
- LNP is necessary and in the public interest.



Wireless Number Portability

OVERVIEW

Phone numbers pose a classic switching cost.

- Support from the economic literature, to grass-roots testimonials.
- Eliminating that cost benefits competition, and consumers.

Only the FCC can force carriers to export numbers.

- Market failure.

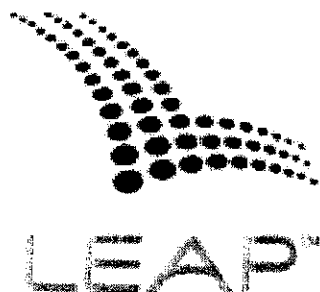
The arguments against LNP fail.

- “Plenty of churn” argument is fallacious.
- Foreign experience supports LNP.

LNP is not prohibitively expensive.

- “One-way” porting is even cheaper.

No harm to public safety.



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Australians Rush To Switch Cellular Provider

Source: Newsbytes

Publication date: 2001-11-27

Since being given the ability to change mobile telephone service providers while keeping the same phone number, 90,000 Australians have jumped ship, Australia's government telecom regulator said today.

It has been just over two months since the introduction of mobile phone number portability in Australia, the culmination of a long process while carriers negotiated, delayed, developed and tested a national portability system.

The lack of a portability process had been a hindrance to true competition among Australia's three national mobile network operators - Telstra, Vodafone and SingTel Optus.

The Australian Communications Authority (ACA) today said more than 90,000 subscribers successfully ported their cell-phone numbers to a new service provider since mobile number portability began.

The increase in activity during the past two months - as subscribers jumped to other services as new plans and offers emerged after the introduction of portability - has shown that many felt tied to one provider by their phone number.

Whether competition in Australia has increased after the failure of One.Tel and Hutchison's exit from its GSM business is another matter.

The ACA said it will demand service providers improve the time it takes to switch subscribers. Consumers want same-day switching or less, the ACA said, and it will put this performance requirement to the carriers to see if they can guarantee it.